

**REPORT OF THE AUDIT OF THE  
SCOTT COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.kyauditor.net](http://www.kyauditor.net)**

**105 SEA HERO ROAD, SUITE 2  
FRANKFORT, KY 40601-5404  
TELEPHONE (502) 573-0050  
FACSIMILE (502) 573-0067**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE SCOTT COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Scott County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$1,269,708 from the beginning of the year, resulting in a cash surplus of \$17,299,617 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$2,975,000. Future collections of \$3,635,416 are needed over the next eight years to pay all bonded debt principal and interest.

#### **Report Comments:**

- Lacks Adequate Segregation Of Duties
- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



<u>CONTENTS</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT .....	1
SCOTT COUNTY OFFICIALS.....	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS .....	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES.....	13
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE .....	17
STATEMENT OF CASH FLOWS – PROPRIETARY FUND .....	21
NOTES TO FINANCIAL STATEMENTS .....	22
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE .....	31
SCHEDULE OF OPERATING REVENUE.....	35
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES.....	39
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	43
COMMENTS AND RECOMMENDATIONS .....	47
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable George H. Lusby, Scott County Judge/Executive

Members of the Scott County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Scott County, Kentucky, as of June 30, 2002, the statement of cash receipts, cash disbursements, and changes in cash balances; statement of cash receipts, cash disbursements, and changes in cash balances-proprietary fund type; and the related statement of cash flows-proprietary fund for the year then ended. These financial statements are the responsibility of the Scott County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Scott County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002, of Scott County, Kentucky, and the revenues received and expenditures paid and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable George H. Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2003 on our consideration of Scott County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Scott County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- Lacks Adequate Segregation Of Duties
- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
November 4, 2003



SCOTT COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

George Lusby	County Judge/Executive
Jack Wise	Magistrate
Jerry Bruin	Magistrate
Anna Isaacs	Magistrate
Gary Perry	Magistrate
James R. McClanahan	Magistrate
Bobby Rankin	Magistrate
John T. Hoffman	Magistrate
Tom Prather	Magistrate

**Other Elected Officials:**

Clay McKnight	County Attorney
Larry Covington	Jailer
Donna Perry	County Clerk
Martha Mitchell	Circuit Court Clerk
Bobby Hammons	Sheriff
Jane Rankin	Property Valuation Administrator
Stan Hughes	Coroner

**Appointed Personnel:**

Peggy Atkins	County Treasurer
Jane Lucas	Occupational Tax Collector
Nyoma Stakelin	Payroll Officer
Jackie Covington	Road Supervisor

THIS PAGE LEFT BLANK INTENTIONALLY

STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

SCOTT COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Debt Service</u>
<u>Assets and Other Resources</u>		
<u>Assets</u>		
Cash and Cash Equivalents	<u>\$ 17,320,531</u>	<u>\$ 2,454</u>
Total Assets	<u>\$ 17,320,531</u>	<u>\$ 2,454</u>
<u>Other Resources</u>		
Amounts to Be Provided in Future Years for:		
Bond Payments	<u>\$</u>	<u>\$ 2,972,546</u>
Total Other Resources	<u>\$ 0</u>	<u>\$ 2,972,546</u>
Total Assets and Other Resources	<u><u>\$ 17,320,531</u></u>	<u><u>\$ 2,975,000</u></u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2002  
 (Continued)

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Trust and Agency</u>	
<u>\$ 2,101</u>	<u>\$ 7,225</u>	<u>\$ 17,332,311</u>
<u>\$ 2,101</u>	<u>\$ 7,225</u>	<u>\$ 17,332,311</u>
<u>\$</u>	<u>\$</u>	<u>\$ 2,972,546</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,972,546</u>
<u>\$ 2,101</u>	<u>\$ 7,225</u>	<u>\$ 20,304,857</u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2002  
 (Continued)

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Debt Service</u>
<u>Liabilities and Equity</u>		
<u>Liabilities</u>		
Bonds:		
Series 1997 (Note 4)	\$	\$ 2,975,000
Payroll Liabilities	32,694	
Amounts Held In Custody For Others		
Total Liabilities	<u>\$ 32,694</u>	<u>\$ 2,975,000</u>
<u>Equity</u>		
Fund Balances:		
Reserved	\$	\$
Unreserved	<u>17,287,837</u>	
Total Equity	<u>\$ 17,287,837</u>	<u>\$ 0</u>
Total Liabilities and Equity	<u><u>\$ 17,320,531</u></u>	<u><u>\$ 2,975,000</u></u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY  
 STATEMENT OF ASSETS, LIABILITIES,  
 AND EQUITY ARISING FROM CASH TRANSACTIONS  
 June 30, 2002  
 (Continued)

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Trust and Agency</u>	
\$	\$	\$ 2,975,000
		32,694
	<u>7,225</u>	<u>7,225</u>
<u>\$ 0</u>	<u>\$ 7,225</u>	<u>\$ 3,014,919</u>
\$ 2,101	\$	\$ 2,101
		<u>17,287,837</u>
<u>\$ 2,101</u>	<u>\$ 0</u>	<u>\$ 17,289,938</u>
<u>\$ 2,101</u>	<u>\$ 7,225</u>	<u>\$ 20,304,857</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES



SCOTT COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	<u>General Fund Types</u>		
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 17,768,151	\$ 900,398	\$ 448,696
Receipts - Jail Canteen			
Other Financing Sources:			
Transfers In	<u>306</u>	<u>1,790,000</u>	<u>1,250,000</u>
Total Cash Receipts	<u>\$ 17,768,457</u>	<u>\$ 2,690,398</u>	<u>\$ 1,698,696</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 13,121,609	\$ 2,631,501	\$ 1,622,764
Expenditures - Jail Canteen			
Other Financing Uses:			
Transfers Out	3,411,786		75,945
Bonds:			
Principal Paid			
Interest Paid			
Total Cash Disbursements	<u>\$ 16,533,395</u>	<u>\$ 2,631,501</u>	<u>\$ 1,698,709</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 1,235,062	\$ 58,897	\$ (13)
Cash Balance - July 1, 2001	<u>15,321,898</u>	<u>35,005</u>	<u>39,862</u>
Cash Balance - June 30, 2002	<u><u>\$ 16,556,960</u></u>	<u><u>\$ 93,902</u></u>	<u><u>\$ 39,849</u></u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY  
 STATEMENT OF CASH RECEIPTS,  
 CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

General Fund Types				Debt Service Fund Type	
Local Government Economic Assistance Fund	McCracken Trust Fund	John Graves Ford Memorial Hospital Fund	Community Development Block Grant Revolving Loan Fund	Public Properties Corporation Fund	Totals (Memorandum Only)
\$ 107,414	\$ 5,377	\$ 27,530	\$ 64	\$ 291	\$ 19,257,921
				447,731	3,488,037
\$ 107,414	\$ 5,377	\$ 27,530	\$ 64	\$ 448,022	\$ 22,745,958
\$ 111,177	\$ 2,274	\$ 18,506	\$ 20,000	\$	\$ 17,527,831
			306		3,488,037
				305,300	305,300
				151,890	151,890
\$ 111,177	\$ 2,274	\$ 18,506	\$ 20,306	\$ 457,190	\$ 21,473,058
\$ (3,763)	\$ 3,103	\$ 9,024	\$ (20,242)	\$ (9,168)	\$ 1,272,900
81,648	79,421	427,693	20,242	11,622	16,017,391
\$ 77,885	\$ 82,524	\$ 436,717	\$ 0	\$ 2,454	\$ 17,290,291

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE



SCOTT COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES – PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u>
	Jail Canteen Profit Fund
<u>Cash Receipts</u>	
Receipts - Jail Canteen	<u>\$ 11,738</u>
Total Cash Receipts	<u>\$ 11,738</u>
<u>Cash Disbursements</u>	
Expenditures - Jail Canteen	<u>\$ 15,878</u>
Total Cash Disbursements	<u>\$ 15,878</u>
Deficiency of Cash Receipts Under Cash Disbursements	\$ (4,140)
Cash Balance - July 1, 2001	<u>6,241</u>
Cash Balance - June 30, 2002	<u><u>\$ 2,101</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY



STATEMENT OF CASH FLOWS – PROPRIETARY FUND



SCOTT COUNTY  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u>
	Jail Canteen Profit Fund
<u>Cash Flows From Operating Activities:</u>	
Cash Received From Inmates For Canteen Purchases	\$ 11,738
Cash Paid To Suppliers	<u>15,878</u>
Net Cash Used By Operating Activities	<u>\$ (4,140)</u>
Net Decrease In Cash And Cash Equivalents	\$ (4,140)
Cash And Cash Equivalents, July 1, 2001	<u>6,241</u>
Cash And Cash Equivalents, June 30, 2002	<u><u>\$ 2,101</u></u>

The accompanying notes are an integral part of the financial statements.

SCOTT COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Scott County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Fund as part of the reporting entity.

The Scott County Public Properties Corporation is established for the purpose of providing long-term financing for approved projects. The Scott County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

Additional - Scott County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Scott County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Scott County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Scott County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, McCracken Trust Fund, John Graves Ford Memorial Hospital Fund, and the Community Development Block Grant Revolving Fund.

SCOTT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Scott County Enterprise Fund Type includes the Jail Canteen Profit Account, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

4) Fiduciary Fund Type

The Fiduciary Fund Type accounts for assets held on behalf of outside parties, including other governments, on behalf of other funds within the government. The Scott County Jail Canteen Inmate Account is a Fiduciary Fund Type and is reported as an agency fund..

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

SCOTT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget

The Scott County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. Also, the Jail Canteen Profit Account and the Jail Canteen Inmate Account are not budgeted. The Department for Local Government does not require these funds to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Scott County Fiscal Court: Georgetown-Scott County Tourism and the Scott County Public Library.

SCOTT COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following are joint ventures of Scott County Fiscal Court: Parks and Recreation, Georgetown-Scott County Ambulance Service, and Planning and Zoning.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

SCOTT COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 4. Long-Term Debt

In September 1997, Scott County Public Properties Corporation Fund issued \$3,415,000 of lease revenue refunding bonds, series 1997. The bonds were issued for advance refunding of the outstanding 1990 bonds maturing on and after January 1, 2002 to 2010.

Interest is payable semi-annually on January 1 and July 1 of each year, and the principal is due on January 1 of each year in the amounts stated below.

Fiscal Year Ended June 30, 2002	Interest	Principal
2003	\$ 138,910	\$ 315,000
2004	124,735	330,000
2005	109,555	345,000
2006	93,513	360,000
2007	76,593	380,000
2008-2010	119,564	1,245,000
Totals	<u>\$ 662,870</u>	<u>\$ 2,975,000</u>

Note 5. Lease Agreements

The county has entered into the following lease agreements:

Description	Monthly Payment	Term of Agreement	Ending Date	Balance June 30, 2002
Copier	\$ 283	42 Months	August 2005	\$ 11,019

Note 6. Insurance

For the fiscal year ended June 30, 2002, Scott County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.



SCOTT COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 7. Jail Inmate Account

Presentation of Changes in Assets and Liabilities is required for Trust and Agency Funds. The Jail Inmate Account is presented as a Trust and Agency Fund; therefore, presentation of this information is required.

<u>Jail Inmate Account</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2002</u>
Assets:				
Cash With Fiscal Agents	\$ 6,177	\$ 110,970	\$ 110,022	\$ 7,225
Total Assets	<u>\$ 6,177</u>	<u>\$ 110,970</u>	<u>\$ 110,022</u>	<u>\$ 7,225</u>
Liabilities:				
Amounts Held In				
Custody For Others	\$ 6,277	\$ 110,970	\$ 110,022	\$ 7,225
Total Cash Disbursements	<u>\$ 6,277</u>	<u>\$ 110,970</u>	<u>\$ 110,022</u>	<u>\$ 7,225</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



SCOTT COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 12,345,652	\$ 17,768,150	\$ 5,422,498
Road and Bridge Fund	697,825	900,398	202,573
Jail Fund	314,000	448,696	134,696
Local Government Economic Assistance Fund	102,000	107,414	5,414
McCracken Fund	3,000	5,377	2,377
John Graves Ford Memorial Hospital fund	16,500	27,530	11,030
Community Development Block Grant Revolving Loan Fund		65	65
Totals	<u>\$ 13,478,977</u>	<u>\$ 19,257,630</u>	<u>\$ 5,778,653</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 13,478,977
Add: Budgeted Prior Year Surplus	12,085,000
Less: Other Financing Uses	<u>(460,000)</u>
Total Operating Budget Per Comparative Schedule of Final Budget and Budgeted Expenditures	<u>\$ 25,103,977</u>

THIS PAGE LEFT BLANK INTENTIONALLY

SCHEDULE OF OPERATING REVENUE





SCOTT COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Revenue Categories</u>	Totals (Memorandum Only)	<u>Governmental Fund Type</u>	
		General Fund Type	Debt Service Fund Type
Taxes	\$ 13,992,792	\$ 13,992,792	\$
Excess Fees	1,335,798	1,335,798	
Licenses and Permits	250,319	250,319	
Intergovernmental Revenues	1,902,580	1,902,580	
Charges for Services	97,643	97,643	
Miscellaneous Revenues	761,905	761,905	
Interest Earned	916,884	916,593	291
Total Operating Revenue	<u>\$ 19,257,921</u>	<u>\$ 19,257,630</u>	<u>\$ 291</u>

THIS PAGE LEFT BLANK INTENTIONALLY

COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES



SCOTT COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	General Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 4,759,567	\$ 3,749,965	\$ 1,009,602
Protection to Persons and Property	4,826,193	4,093,018	733,175
General Health and Sanitation	618,500	494,799	123,701
Social Services	427,750	383,028	44,722
Recreation and Culture	2,998,104	1,887,239	1,110,865
Roads	3,316,820	2,109,860	1,206,960
Capital Projects	3,738,000	2,405,695	1,332,305
Administration	4,419,043	2,404,227	2,014,816
 Total Operating Budget - General Fund Type	 \$ 25,103,977	 \$ 17,527,831	 \$ 7,576,146
Other Financing Uses:			
Transfers to Detention Center			
Corporation Bond Fund-			
Principal	300,000	295,841	4,159
Interest	160,000	151,890	8,110
 TOTAL BUDGET - GENERAL FUND TYPE	 \$ 25,563,977	 \$ 17,975,562	 \$ 7,588,415

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

Honorable George H. Lusby, Scott County Judge/Executive  
Members of the Scott County Fiscal Court

**Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Scott County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Scott County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Scott County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comments and recommendations.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition listed above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
November 4, 2003

## COMMENTS AND RECOMMENDATIONS



SCOTT COUNTY  
COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2002

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lacks Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that in our judgment is a reportable condition under standards established by the American Institute of Certified Public Accountants. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties.

We recommend that separate employees be assigned the duties of opening the mail, posting entries to the receipts ledger and making the daily deposits. We further recommend that employees be cross-trained.

*County Judge/Executive George Lusby's Response:*

*Will continue to monitor.*

NONCOMPLIANCE:

The County Should Maintain Timesheets On All Employees With The Exception Of Elected Officials

During our test of payroll, we noted that there was no timesheet available for an Administrative Assistant. Upon further investigation, we discovered that there are also no time sheets available for all County Attorney assistants or for a Disaster and Emergency employee. Per KRS 337.320, "Every employer shall keep a record of the hours worked each day and each week by each employee." This excludes elected officials. We recommend that beginning immediately these records be maintained. Also, if there are any other non-elected personnel working for the County and not keeping timesheets, we recommend that they begin to keep them as well.

*County Judge/Executive George Lusby's Response:*

*Will see that those under the County Judge will have time sheets. Instruct County Attorney to keep their time sheets.*

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

SCOTT COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2002





CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
SCOTT COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2002

The Scott County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
George Lusby  
County Judge/Executive

  
Peggy Atkins  
County Treasurer



